

# GERT SIBANDE DISTRICT MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010



I am responsible for the preparation of these Consolidated Annual Financial Statements, which are set out on pages 3 to 32, in terms of Section 126(1) of the Municipal Finance Management Act 2003 (Act 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 18 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

M A NGCOBO, Pr.Tech.Eng, MSAICE, IMESA, FMWISA  
MUNICIPAL MANAGER

8 December 2010

GE-OUDIT  
AUDITED

Avalon Gravell

NAAM/NAME

30/11/2010

DATUM/DATE

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*Auditor General*

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GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

		Group		Municipality
	Note	2010 R	2009 R	2010 R
<b>NET ASSETS AND LIABILITIES</b>				
NET ASSETS		<b>252,746,541</b>	<b>243,329,034</b>	<b>259,058,058</b>
Accumulated Surplus		<b>252,592,308</b>	<b>243,176,941</b>	<b>259,058,058</b>
Outside partners interest		<b>154,233</b>	<b>152,093</b>	<b>249,370,081</b>
NON - CURRENT LIABILITIES		<b>113,836</b>	<b>179,097</b>	<b>25,799,293</b>
Retirement Benefit	1	<b>113,836</b>	<b>100,750</b>	<b>113,836</b>
Finance lease liabilities	2	<b>-</b>	<b>78,347</b>	<b>21,324,957</b>
Deferred profit on sale and leaseback	3	<b>-</b>	<b>-</b>	<b>4,360,500</b>
CURRENT LIABILITIES		<b>59,907,494</b>	<b>75,840,607</b>	<b>59,907,495</b>
Creditors	4	<b>59,701,421</b>	<b>75,624,534</b>	<b>59,701,422</b>
Provisions	5	<b>-</b>	<b>-</b>	<b>-</b>
Unspent conditional Government grants	6	<b>206,073</b>	<b>206,073</b>	<b>206,073</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b><u>312,767,870</u></b>	<b><u>319,348,738</u></b>	<b><u>344,764,846</u></b>
<b>ASSETS</b>				
NON - CURRENT ASSETS		<b>232,012,389</b>	<b>126,537,977</b>	<b>265,982,038</b>
Property, plant and equipment	7	<b>231,979,747</b>	<b>126,524,523</b>	<b>231,979,747</b>
Investment in Eastvaal Development Trust	8	<b>-</b>	<b>-</b>	<b>7,874,297</b>
Investment in Eastvaal Financing Partnership	9	<b>-</b>	<b>-</b>	<b>26,095,352</b>
Long term receivables	10	<b>32,642</b>	<b>13,454</b>	<b>32,842</b>
CURRENT ASSETS		<b>80,755,481</b>	<b>192,810,761</b>	<b>78,782,807</b>
Debtors	11	<b>8,401,978</b>	<b>8,974,099</b>	<b>8,401,978</b>
Investments	12	<b>-</b>	<b>20,000,000</b>	<b>-</b>
Irregular Expenditure - Recoupment	23	<b>933,057</b>	<b>995,057</b>	<b>933,057</b>
VAT	13	<b>16,133,070</b>	<b>11,130,293</b>	<b>16,133,070</b>
Bank balance and cash	14	<b>55,137,618</b>	<b>151,352,946</b>	<b>53,164,944</b>
Current portion of long term receivables	10	<b>149,758</b>	<b>358,365</b>	<b>149,758</b>
<b>TOTAL ASSETS</b>		<b><u>312,767,870</u></b>	<b><u>319,348,738</u></b>	<b><u>344,764,846</u></b>
				<b><u>350,564,333</u></b>

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**GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 30th JUNE 2010**

		Group		Municipality	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
NOTE	R	R	R	R	R
<b>REVENUE</b>					
Regional Services Levies - remuneration		-	418,929	-	418,929
Regional Establishment Levies - turnover			5,479	-	5,479
Interest earned - external investments		10,237,317	24,667,993	10,190,916	24,667,993
Interest earned - other		121,815	1,215,992	20,008	1,215,992
Government grants and subsidies	15	251,769,413	205,617,350	251,769,413	205,617,350
Other income	16	2,262,991	2,348,691	7,206,466	5,796,102
Gains on disposal of property, plant and equipment		752	93,015	752	93,015
<b>TOTAL REVENUE</b>		<b>264,392,288</b>	<b>234,357,448</b>	<b>269,203,218</b>	<b>237,614,859</b>
<b>EXPENDITURE</b>					
Employee related costs	17	39,213,614	31,992,012	39,213,614	31,992,012
Remuneration of Councillors	18	7,805,155	5,734,861	7,805,155	5,734,861
Depreciation		2,220,553	1,751,343	2,220,552	1,751,343
Repairs and maintenance		1,018,334	1,086,418	1,018,334	1,086,418
Contracted services		633,267	905,153	838,267	905,153
Grants and subsidies paid	19	189,743,093	170,027,951	189,743,093	170,027,951
Grants and subsidies paid: Depreciation	19	2,622,605	2,588,764	2,622,605	2,588,764
General expenses - other	26	12,285,354	11,103,152	12,285,354	11,103,152
Loss on disposal of property, plant and equipment		1,497	-	1,497	-
Finance Cost		-	1,432,033	4,547,750	4,305,754
Goodwill impairment		-	10,794,294		
<b>TOTAL EXPENDITURE</b>		<b>265,748,471</b>	<b>237,416,981</b>	<b>260,296,220</b>	<b>229,495,408</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>8,643,817</b>	<b>(3,048,533)</b>	<b>8,906,998</b>	<b>8,319,452</b>
Less: Outside Partners Interest		(2,140)	(2,553)	-	-
Attributable to the Municipality		8,641,677	(3,051,086)	8,806,998	8,319,452

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GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Municipality NOTE	ACCUMULATED SURPLUS	TOTAL
	R	R	R
Balance at 1 July 2008 as previously stated		237,772,021	237,772,021
Surplus for the year		8,319,453	8,319,453
Prior year Adjustment	24	3,278,608	3,278,608
<b>Balance at 30 June 2009</b>		<b>249,370,082</b>	<b>249,370,082</b>
Balance at 1 July 2009		249,370,082	249,370,082
Deficit for the year		8,906,998	8,906,998
Prior year adjustment	24	780,978	780,978
<b>Balance at 30 June 2010</b>		<b>259,058,058</b>	<b>259,058,058</b>

	Group NOTE	ACCUMULATED SURPLUS	OUTSIDE PARTNERS INTEREST	TOTAL
	R	R	R	R
Balance at 1 July 2008 as previously stated		243,101,522	-	243,101,522
Acquisition of municipal entity		(154,056)	154,658	-
Deficit for the year		(3,048,533)	(2,563)	(3,051,096)
Prior year Adjustment	24	3,278,608	-	3,278,608
<b>Balance at 30 June 2009</b>		<b>243,176,941</b>	<b>152,093</b>	<b>243,329,034</b>
Balance at 1 July 2009		243,176,941	152,093	243,329,034
Surplus/(deficit) for the year		8,643,817	2,140	8,641,677
Prior year adjustment	24	771,550	-	771,550
<b>Balance at 30 June 2010</b>		<b>252,592,308</b>	<b>154,233</b>	<b>252,746,261</b>

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GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	Group 2009 R	2010 R	Municipality 2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash receipts from government and other		805 601 811	721 795 567	805 754 816	721 795 527
Cash paid to suppliers and employers		(221 551 251)	(257 137 531)	(822 131 190)	(657 737 561)
Cash generated from operating activities	20	(56 259 440)	24 000 000	(10 425 614)	(1 111 12 074)
Interest received		18 359 132	25 651 176	10 226 636	25 855 284
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>(15 500 308)</b>	<b>45 941 931</b>	<b>(6 212 287)</b>	<b>49 941 321</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(110 204 439)	(76 396 561)	(110 397 150)	(70 255 561)
Proceeds on disposal of fixed assets			258 079		256 079
Cash and cash equivalents from municipal entity			1 837 461		
Decrease in non-current receivables		189 419	75 172	189 419	75 172
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(110 215 029)</b>	<b>(74 196 819)</b>	<b>(110 117 771)</b>	<b>(76 034 560)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
New loans repaid		-	-	-	-
Other Capital receipts		-	-	-	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS</b>					
Cash and cash equivalent at the beginning of the year		[116 215 326]	[24 754 828]	[116 330 056]	[26 092 309]
Cash and cash equivalent at the end of the year	21	[171 152 945]	[196 607 773]	[169 495 002]	[196 587 311]
		[55 137 612]	[171 352 045]	[53 154 944]	[169 495 002]

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# GERT SIBANDE DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES

## MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless otherwise stated.

These Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005 and in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);

The Standards are summarised as follows:

GRAP 1	Presentation Of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes In Accounting Estimates And Errors
GRAP 4	The Effects Of Changes In Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated And Separate Financial Statements
GRAP 7	Investments In Associates
GRAP 8	Interests In Joint Ventures
GRAP 9	Revenue From Exchange Transactions
GRAP 10	Financial Reporting In Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After The Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant And Equipment
GRAP 19	Provisions, Contingent Liabilities And Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the abovementioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the Annual Financial Statements.

Further, the Municipality has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General Notice 552 of 2007:

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Standard No.	Standard Title	GRAP, GAMAP and/or SA GAAP REQUIREMENTS, EXEMPTED IN TERMS OF General Notice 552 of 2007, that have been early adopted
IAS 19 (AC 116)	Employee benefits	Provision is made for medical aid contributions for the next three years for a continued member who is aged 74 and has a life expectancy of three years. Provision is also made for a 5% year on year increase in the contribution(IAS 19.29, 48 – 119 and 120A(c) – (q))
GAMAP 09	Revenue	Revenue is initially measured at fair value, after which it is discounted according to the ageing model and the effected interest rate (GAMAP 9.12 and SAICA circular 9/06)

**Basis of consolidation**

The consolidated annual financial statements incorporate the financial statements of the Municipality and Municipal Entities controlled by the Municipality.

On acquisition, the assets and liabilities of a municipal entity are measured at their fair values at the date of acquisition. The interests of outside shareholders are stated at the minority's proportion of the fair values of the assets and liabilities recognised. The excess over the cost of acquisition over the fair value of the group's share of the fair value of the net assets and liabilities acquired is recorded as goodwill.

The results of municipal entities acquired or disposed during the year are included in the consolidated Statement of Financial Performance from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the annual financial statements of municipal entities to bring the accounting policies used into line with those used by the Municipality and other municipal entities included in the Group.

All significant transactions and balances between members of the Group are eliminated on consolidation.

**2. PRESENTATION CURRENCY**

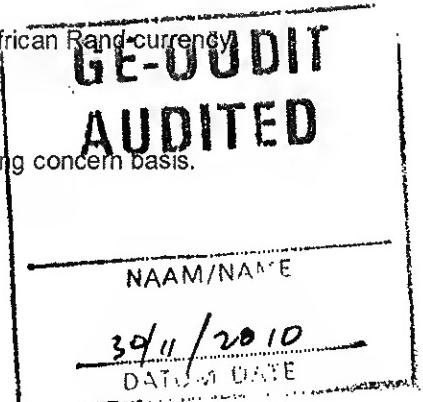
These annual financial statements are presented in the South African Rand currency.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. PROPERTY, PLANT AND EQUIPMENT (PPE)**

**4.1 Fixed Assets Are Stated As Follows:**



- ❖ An item of property plant and equipment which qualifies for recognition as an asset shall initially be measured at cost.
- ❖ Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.
- ❖ The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.
- ❖ Directly attributable costs include the following:
  - Cost of site preparation.
  - Initial delivery and handling costs.
  - Installation cost.
  - Professional fees.
  - Estimate cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.
- ❖ Leased Assets Capitalised -- Assets subject to finance lease agreements are capitalised on the basis, where substantially all the risks and rewards associated with ownership of an asset, are transferred to the District Municipality.
- ❖ A capitalization threshold value of R5,000 has been adopted whereby all expenditure below the threshold of R5,000 is expensed when incurred. The threshold will be determined annually during the budget process.

#### 4.2 Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation.

The useful lives of property plant and equipment is reviewed periodically and, if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted.

Capitalised leased assets are depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets.

Where property, plant and equipment have been impaired, the carrying amount shall be reduced to the recovery amount and the reduction shall be recognized as an expense immediately.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. No reviewing of the depreciation method and useful lives were performed in 2008/2009. The annual depreciation rates are based on the following estimated asset lives:-

<u>Infrastructure and Other</u>	<u>Years</u>
Buildings	30
Specialist vehicles	10
Other vehicles	5
Office equipment	5
Furniture and fittings	10
Construction vehicles	15
Capitalised leased assets	3-5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 4.3 Disposal of Property, Plant and Equipment

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- ❖ The book values of assets are written off on disposal
- ❖ The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

#### 4.4 Impairment

Where the carrying amount of an item of Property, Plant and Equipment is greater than the estimated recoverable amount, it should be written down immediately to its recoverable amount and an impairment loss is charged to the statement of Financial Performance. At each reporting date an assessment should be undertaken to determine whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred, however no impairment of assets may be deemed to be realised during the financial year under review.

### 5. FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

#### 5.1 Accounts receivable

Other receivables are recognised initially at cost and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

#### 5.2 Financial liabilities

Financial liabilities are recognised initially at fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

#### 5.3 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

#### 5.4 Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Accounting policy for the 2006/2007 and 2007/2008 financial years

The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of Government Gazette 30013 of 29 June 2007.

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## **5.4 Investment in Municipal Entities**

### **Group annual financial statements**

The group annual financial statements include those of the municipality and its municipal entities. The results of the municipal entities are included from the effective date of acquisition.

On acquisition the group recognises the municipal entity's identifiable assets, liabilities and contingent liabilities at fair value. The excess over the cost of acquisition over the fair value of the groups share of the fair value of the net assets and liabilities acquired is recorded as goodwill.

### **Municipal annual financial statements**

Investments in partnerships are initially recognised at cost, and subsequently carried at cost less any accumulated impairment, investments in trusts initially recognised at the cost of the investment in the trust, and are subsequently carried at fair value, with fair value being the net assets of the trust.

Consolidated financial statements are prepared to account for the Municipality's share of net assets and post acquisition results of these investments.

## **6. TRADE CREDITORS**

### **Accounting policy for the 2006/2007 and 2007/2008 financial years**

Trade and other creditors including leave pay are recognised initially at cost in accordance with the exemptions in Government Gazette 30013 of 29 June 2007. Accordingly the creditors and leave pay were stated at nominal value and no discounting was accounted for.

### **6.1 Provisions**

A provision is recognised when the Municipality has a present obligation (legal or constructive); as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and hence a reliable estimate of the provision can be made. Provisions are reviewed at each statement of financial position, date and adjusted to reflect the current best estimate.

## **7. REVENUErecognition**

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

### **7.1 Government Grants:**

Government Grants may be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

### **7.2 Government grants are recognised as revenue when:**

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- ♦ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- ♦ The amount of the revenue can be measured reliably, and
- ♦ To the extent that there has been compliance with any restrictions associated with the grant.

#### **7.3 Other grants and donations received:**

Other grants and donations shall be recognised as revenue when:

- ♦ service potential associated with the transaction will flow to the municipality, and
- ♦ The amount of the revenue can be measured reliably, it is probable that the economic benefits or and
- ♦ To the extent that there has been compliance with any restrictions associated with the grant.

#### **7.4 Other Revenue:**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **7.5 Interest received:**

Interest shall be recognized on a time proportionate basis that takes into account the effective yield on the asset.

### **8. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from Conditional Grants, Donations and Funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

#### **8.1 Unspent Conditional Grants**

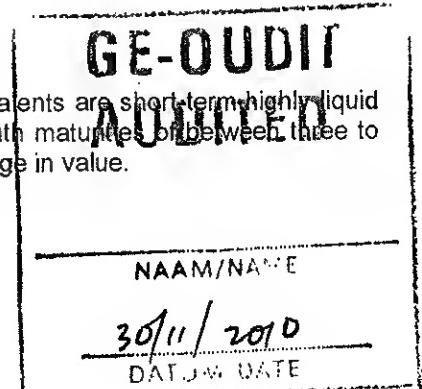
Unspent conditional grants are reflected on the statement of financial position as a current liability – unspent conditional grants. These amounts represent unspent Government Grants and Subsidies. The following conditions are set for the creation and utilisation of these current liability amounts (Creditors)

- ♦ The cash which backs the creditor is invested until utilised
- ♦ Interest earned on the investment is treated in accordance with receipt practices of the Municipality and is recognised as interest earned.

### **9. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of between three to six months or less and are subject to an insignificant risk of change in value.

### **10. UNAUTHORISED EXPENDITURE**



Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **11. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy or as an direct result of inappropriate action being perpetrated. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **12. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **13. COMPARATIVE INFORMATION**

##### **13.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

##### **13.2 Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

#### **14. POST - RETIREMENT BENEFITS**

##### **14.1 General**

Defined Contribution plans are benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

##### **14.2 Medical Aid: Continued Member**

Post employment medical care benefits are provided by the municipality to a certain employee and their legitimate spouses. The entitlement to post-retirement medical benefits was based on the employee remaining in service up to retirement age and the completion of a minimum service period and in compliance with the rules and regulations of the Medical Aid Fund with which the Municipality is associated. The current Medical Aid Fund with which the Municipality is associated, does not provide for continued membership.

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The amount recognised in the balance sheet represents the present value of the defined contribution obligation. The amount is discounted by using the market related interest rate at the balance sheet date.

**15. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**16. LEASES**

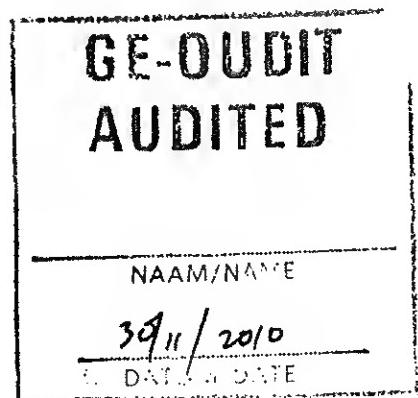
Leases are classified as financial leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the District Municipality. Assets subject to Finance Lease Agreements are capitalised and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayments. Lease interest would be expensed when incurred.

**17. EVENTS AFTER BALANCE SHEET DATE**

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements

**18. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.



GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Group	Municipality	
	2010	2009	2010
	R	R	R
<b>1 RETIREMENT BENEFIT</b>			
Contribution: Medical aid	113,836	100,750	113,836
	<u>113,836</u>	<u>100,750</u>	<u>113,836</u>
			<u>100,750</u>
Provision has been made for contribution to the medical aid for a previously retired employee in compliance with the medical aid rulings at that point of time			

**2 FINANCE LEASE LIABILITY**

Finance lease liability- Minimum lease payments			
Not later than 1 year	-	78,347	4,061,867
Later than 1 year and no later than 5 years	-	-	23,134,760
Greater than 5 years	-	-	23,340,165
Less Future finance charges	-	-	(29,211,635)
Present value of finance lease liabilities	-	<u>78,347</u>	<u>21,324,957</u>
The present value of the finance lease liabilities is as follows:			
No later than 1 year	-	78,347	(675,278)
Later than 1 year and no later than 5 years	-	-	4,577,754
Later than 5 years	-	-	17,422,481
	<u>-</u>	<u>78,347</u>	<u>21,324,957</u>
			<u>20,418,421</u>

**3 Deferred Profit on sale and lease back**

The municipality entered in a leasing arrangement with the Eastvaal Development Trust and the Eastvaal Financing Partnership in 1998, the result of this was that the municipality entered in a finance sale and lease back transaction, the effects of this

Profit on sale and leaseback		9,690,000	9,690,000
Accumulated amortisation of profit on sale and leaseback		(5,329,500)	(4,845,000)
		<u>4,360,500</u>	<u>4,845,000</u>

**4 CREDITORS**

Trade creditors	28,604,110	52,026,833	28,604,110	52,016,306
Retention	27,661,755	18,001,179	27,661,755	18,001,179
Other	1,175,916	2,344,639	1,175,916	2,344,839
Capitalised Finance Lease Liabilities - Refer 4.1 below	78,347	252,955	78,347	252,955
Staff leave pay	2,181,294	3,008,728	2,181,294	3,008,728
Total	<u>59,701,422</u>	<u>75,634,534</u>	<u>59,701,422</u>	<u>75,621,007</u>

4.1 Capitalised finance lease agreements are repayable in monthly installments over the ensuing financial year and the total commitment in this regard is R78347

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GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Group	Municipality	
	2010 R	2009 R

**5 PROVISIONS**

Balance unspent at the beginning of the year	6,805,149	-	6,805,149
Current year expenditure	(6,202,415)	-	(6,202,415)
Savings written back	(502,734)	-	(502,734)
Additional provisions	-	-	-
	<u>0</u>	<u>0</u>	<u>0</u>

Provision has been made in terms of  
Legal/Constructive obligations as a result of  
past events

**6 UNSPENT CONDITIONAL GOVERNMENT GRANTS**

MIG Grant	206,073	206,073	206,073	206,073
MSIG Grant	-	-	-	-
FMG Grant	-	-	-	-
CSPPWP	-	-	-	-
<b>Total</b>	<b><u>206,073</u></b>	<b><u>206,073</u></b>	<b><u>206,073</u></b>	<b><u>206,073</u></b>

**7 PROPERTY, PLANT AND EQUIPMENT**

	Group and Municipality		
30 June 2010	Cost	Accumulated Depreciation	Carrying Value
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings	198,427,522	4,131,227	194,298,295
Other Assets	52,846,884	15,103,432	37,743,452
<b>Total</b>	<b><u>251,274,406</u></b>	<b><u>19,294,659</u></b>	<b><u>231,979,747</u></b>
<b>Total fixed assets</b>			
30 June 2009	Cost	Accumulated Depreciation	Carrying Value
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Buildings	91,222,604	3,728,328	87,494,276
Other Assets	49,759,413	10,729,166	39,030,247
<b>Total</b>	<b><u>140,982,017</u></b>	<b><u>14,457,494</u></b>	<b><u>126,524,523</u></b>

Refer Appendix B & C for more detail on  
property, plant and equipment

The following stands were donated by  
Msukaligwa Local Municipality to Gert Sibande  
District Municipality during the financial year;  
Portion 229 (A portion of portion 11) of the farm  
Nooitgedacht 268; Portion 230 (A portion of  
portion 13) of the farm Nooitgedacht 268; Portion  
232 (A portion of portion 97) of the farm  
Nooitgedacht 268; Portion 233 (A portion of  
portion 97) of the farm Nooitgedacht 268; and  
Portion 231 (A portion of portion 13) of the farm  
Nooitgedacht 268. As at the financial year end  
the portions mentioned were in the process of  
being consolidated and rezoned with registration  
in the deeds office to follow in the name of the  
Gert Sibande District Municipality. The value of  
the consolidated stand is not known at this stage.

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**GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Group 2010 R	2009 R	Municipality 2010 R	2009 R
<b>8 Investment in Eastvaal Development Trust</b>				
100% Beneficiary				
Net Assets				
Investment in finance lease			6,863,928	6,957,725
Cash and cash equivalents			1,010,369	20,463
Loan from Eastvaal financing partnership				
			<u>7,874,297</u>	<u>6,978,188</u>
Comprising:				
Donation			100	100
Net income available for distribution			<u>7,874,197</u>	<u>6,978,088</u>
			<u>7,874,297</u>	<u>6,978,188</u>

The investment in the Eastvaal Development Trust is carried at fair value. The fair value of the trust is determined by reference to the net asset value of the trust.

**9 Investment In the Eastvaal Financing Partnership**

99% Partnership interest				
Net Assets				
Investment in finance lease		21,324,959	20,340,073	
Cash and cash equivalents		962,305	1,837,482	
Sundry Creditor		-	(10,336)	
Finance lease liability		(6,863,928)	(6,957,726)	
VAT		<u>15,423,336</u>	<u>(191)</u>	<u>15,209,302</u>
Comprising:				
Partnership contributions		36,049,487	36,049,487	
Accumulated loss		(20,626,151)	(20,840,184)	
Fair value of the net assets of the partnership		<u>15,423,336</u>	<u>15,209,302</u>	
Fair value of Gert Sibande's interest in the partnership		<u>26,095,352</u>	<u>26,095,352</u>	<u>26,095,352</u>
Amount paid to obtain control of the partnership		<u>26,095,352</u>	<u>26,095,352</u>	<u>26,095,352</u>
Carrying amount of investment in the partnership		<u>26,095,352</u>	<u>26,095,352</u>	<u>26,095,352</u>

The investment in the partnership is carried at the cost of obtaining control of the partnership, less annual distributions of contributions.

**10 LONG TERM RECEIVABLES**

Study Bursaries	73,209	120,859	73,209	120,859
Motor Loans	109,192	250,960	109,192	250,960
Total	<u>182,401</u>	<u>371,820</u>	<u>182,401</u>	<u>371,820</u>
Less : Short Term Portion	(149,758)	(358,366)	(149,758)	(358,366)
Total: Long Term Portion	<u>32,642</u>	<u>13,454</u>	<u>32,642</u>	<u>13,454</u>

**MOTOR LOANS**

Senior staff were entitled to motor loans which attracted interest at 8.5% per annum and which were repayable over a maximum period of 6 years. As from 1 July 2004 no new loans were approved in compliance with the MFMA

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GERT SIBANOE DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Group		Municipality	
	2010 R	2009 R	2010 R	2009 R
<b>11 DEBTORS</b>				
Current debtors				
Other Debtors	149,333	250,865	149,333	250,865
Local authorities	8,252,844	8,723,234	8,252,844	8,723,234
	<u>3,401,978</u>	<u>8,974,098</u>	<u>3,401,978</u>	<u>8,974,098</u>
Reconciliation of the bad debt provision				
Balance at beginning of the year	-	6,658,754	-	6,658,754
Bad Debts written off against provision	-	(6,658,754)	-	(6,658,754)
Balance at end of year	-	-	-	-
<b>12 INVESTMENTS</b>				
Fixed Deposits consist of the following:				
Absa - short term - 6 months at an interest rate of 7.25%		10,000,000		10,000,000
FNB - short term - 6 months at an interest rate of 7.25%		10,000,000		10,000,000
Total	<u>-</u>	<u>20,000,000</u>	<u>-</u>	<u>20,000,000</u>
Deposit investment relate to capital and interest contributed by Gert Sibande District Municipality to a sinking fund invested with Nedcor Investment Bank.				
<b>13 VAT</b>				
VAT receivable	16,133,070	11,130,293	16,133,070	11,130,293
VAT is payable on the receipts basis.	<u>16,133,070</u>	<u>11,130,293</u>	<u>16,133,070</u>	<u>11,130,293</u>
<b>14 BANK BALANCES AND CASH</b>				
The primary bank account is as follows:				
ABSA BANK- Secunda				
Account no 01053971462				
Branch code - 630244				
Cashbook balance at beginning of the year	151,352,946	195,583,211	149,284,230	195,583,211
Cashbook balance at end of the year	<u>55,137,618</u>	<u>151,352,946</u>	<u>52,938,597</u>	<u>149,284,230</u>
Bank statement balance at beginning of the year	151,352,946	181,500,434	149,435,621	181,500,434
Bank statement balance at end of the year	<u>55,137,618</u>	<u>151,352,946</u>	<u>52,939,395</u>	<u>149,435,621</u>

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**GERT SIBANDE DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Group		Municipality	
	2010 R	2009 R	2010 R	2009 R
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>				
Equitable share	10,694,263	8,673,981	10,694,263	8,673,981
Revenue Replacement Grant	215,490,000	183,203,983	215,490,000	183,203,983
MIG Grant	0	169,148	0	169,148
CBPWP	335,159	2,979,432	335,159	2,979,432
MSIG Grant	1,300,000	390,501	1,300,000	390,501
FMG Grant	750,000	501,756	750,000	501,756
Province and Govan Mbeki	20,000,000	-	20,000,000	-
DWAF	3,000,000	3,198,548	3,000,000	3,198,548
<b>Total</b>	<b>251,769,413</b>	<b>205,617,343</b>	<b>251,769,413</b>	<b>205,617,343</b>

**16.1 Equitable share**

In terms of the Constitution this grant is utilised to subsidise basic services for the indigent community. Due to the fact that the District Municipality is not providing for basic services this grant is included in income.

**16.2 MIG Grant**

Balance unspent at the beginning of the year	206,073	375,221	206,073	375,221
Correction from previous year	-	-	-	-
Conditions met - transfer to revenue	-	(169,148)	-	(169,148)
Conditions still to be met - transfer to liabilities (see note 4)	<u>206,073</u>	<u>206,073</u>	<u>206,073</u>	<u>206,073</u>

This grant is being used for several project within the Category B Municipalities in the Gert Sibande region. This project is being implemented by the District Municipality.

**16.3 MSIG Grant**

Balance unspent at the beginning of the year	-	155,501	-	155,501
Current year receipts	1,300,000	735,000	1,300,000	735,000
Conditions met - transfer to revenue	(1,300,000)	(290,501)	(1,300,000)	(290,501)
Conditions still to be met - transfer to liabilities (see note 4)	-	-	-	-

**16.4 FMG Grant**

Balance unspent at the beginning of the year	-	1,756	-	1,756
Current year receipts	750,000	500,000	750,000	500,000
Conditions met - transfer to revenue	(750,000)	(501,756)	(750,000)	(501,756)
Conditions still to be met - transfer to liabilities (see note 4)	-	-	-	-

**16.5 CBPWP**

Balance unspent at the beginning of the year	-	2,979,432	-	2,979,432
Current year receipts	335,155	-	335,155	-
Conditions met - transfer to revenue	(335,155)	(2,979,432)	(335,155)	(2,979,432)
Conditions still to be met - transfer to liabilities (see note 4)	-	-	-	-

**16.6 DWAF**

Balance unspent at the beginning of the year	-	-	-	-
Current year receipts	3,200,000.0	3,198,548.0	3,200,000.0	3,198,548.0
Conditions met - transfer to revenue	(3,200,000.0)	(3,198,548.0)	(3,200,000.0)	(3,198,548.0)
Conditions still to be met - transfer to liabilities (see note 4)	-	-	-	-

**16 OTHER INCOME**

Tender Deposits	214,912	119,649	214,912	119,649
LGSeta allocations	145,658	117,410	145,658	117,410
Province donation	746,128	-	746,128	-
Retention written back	561,730	-	561,730	-
Other income	594,564	676,764	594,564	676,764
Donation - CIDA	-	206,695	-	3,654,107
Investment deposit agreement	-	1,228,173	-	1,228,173
<b>Total other income</b>	<b>2,262,991</b>	<b>2,348,691</b>	<b>7,206,466</b>	<b>5,798,103</b>

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**GERT SIBANCE DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Group		Municipality	
	2010 R	2009 R	2010 R	2009 R
<b>17 EMPLOYEE RELATED COSTS</b>				
Employee related cost - Salaries and wages	26,382,192	20,223,553	28,382,192	23,323,353
Employee related cost - Contributions for UIF, pensions and medical aids	6,215,422	5,095,573	6,215,422	5,095,573
Travel and other allowances	3,788,425	2,740,628	3,798,425	2,740,628
Housing benefits and allowances	328,431	234,318	228,431	224,318
Overtime payment	195,630	240,091	198,630	250,691
Annual bonus	390,515	367,449	390,515	367,449
Total Employee related costs	<u>39,213,614</u>	<u>31,292,012</u>	<u>39,213,614</u>	<u>31,292,012</u>

There were no advances to employees. No new loans was approved.

**Remuneration of the Municipal Manager**

Annual Remuneration	677,781	651,611	677,781	651,611
Annual bonus - Provision	97,530	89,289	97,530	89,289
Car allowances	159,692	152,116	159,692	152,116
Contributions to UIF, Medical and pension funds	184,933	136,091	184,933	136,091
Total	<u>1,119,935</u>	<u>1,029,710</u>	<u>1,119,935</u>	<u>1,029,710</u>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	632,628	474,567	632,628	474,567
Annual bonus - Provision	76,167	70,200	76,167	70,200
Car allowances	149,640	118,647	149,640	118,647
Contributions to UIF, Medical and pension funds,	20,728	37,919	20,728	37,919
Total	<u>879,155</u>	<u>721,353</u>	<u>879,155</u>	<u>721,353</u>

**Remuneration of Individual Executive Directors**  
30 June 2010

	Group and Municipality	
	Corporate Services	MIS
	R	R
Annual Remuneration	367,267	524,845
Annual bonus - Provision	68,000	76,167
Car allowances	92,163	124,356
Contributions to UIF, Medical and pension funds.	22,054	146,214
Total	<u>550,085</u>	<u>871,583</u>

**30 June 2010**

	IGR	Mayor's Office
	R	R
Annual Remuneration	514,687	549,820
Annual bonus - Provision	72,652	81,125
Car allowances	128,672	113,357
Contributions to UIF, Medical and pension funds.	89,383	144,592
Total	<u>805,393</u>	<u>755,537</u>

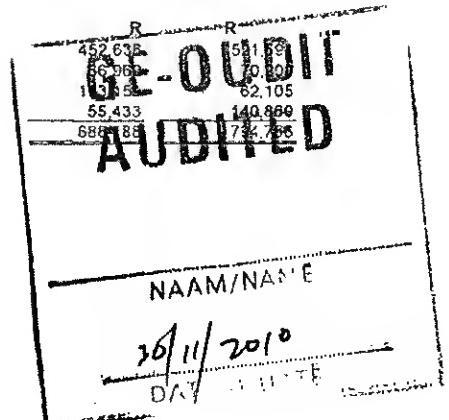
**30 June 2009**

	Corporate Services	MIS
	R	R
Annual Remuneration	255,013	473,125
Annual bonus - Provision	0	70,200
Car allowances	50,541	113,357
Contributions to UIF, Medical and pension funds.	57,045	132,396
Total	<u>362,599</u>	<u>789,086</u>

**30 June 2009**

Annual Remuneration	452,638	511,591
Annual bonus - Provision	86,062	70,200
Car allowances	101,551	62,105
Contributions to UIF, Medical and pension funds	65,433	140,869
Total	<u>688,188</u>	<u>743,756</u>

For 2009 an amount of R367,449 is provided as annual bonus for management, and included as a creditor in note 3.



GERT SIRIANDE DISTRICT MUNICIPALITY AND ITS MUNICIPAL ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Group		Municipality	
	2010 R	2009 R	2010 R	2009 R
<b>18 COUNCILLORS REMUNERATION</b>				
Executive Mayor	609 749	485 544	609 749	485 544
Speaker	457 953	398 367	447 053	358 201
Mayoral Committee's allowance	2 637 043	1 920 525	3 037 243	1 800 235
Councillor's	3 245 258	2 347 344	3 245 258	2 347 344
Councillor's pension fund	643 210	500 813	643 210	500 813
Medical contribution	195 250	199 106	198 350	199 106
UIF Contribution	13 854	12 852	13 654	12 852
Total Councillors Remuneration	<u>7,805,155</u>	<u>5,734,661</u>	<u>7,805,155</u>	<u>5,734,661</u>

IN-KIND BENEFITS

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is living in a house of Council.

**19 GRANTS AND SUBSIDIES PAID**

Grants paid to Local Municipalities	189 659 073	168 837 112	189 659 073	169 037 112
Grants paid to charities	34 030	193 379	34 070	199 639
Grant applied to local Municipalities for GEDM vehicles utilised				
Depreciation	2 607 603	2 588 764	2 622 626	2 588 764
Total Grants and Subsidies	<u>192 365 693</u>	<u>170 627 551</u>	<u>192 365 693</u>	<u>170 627 551</u>

**20 CASH GENERATED BY OPERATIONS**

Net/plus Surplus for the year	8,643,817	8,319,452	8,906,933	8,319,452
Adjustments for:				
Depreciation	4,843,157	4,340,107	4,843,157	4,340,107
Contribution to provisions	-	2,410,000	-	2,410,000
Gain on disposal of property, plant and equipment	-	(78,394)	-	(78,394)
Assets adjustment	9,602	-	8,809	-
Prior year adjustment	(750,975)	-	760,978	(1,350,000)
Retention/s Reversed	(261,720)	-	-	-
Other income	-	-	-	-
Other non-cash transactions	(8,390)	-	-	-
Interest income	(10,359,152)	(25 383 080)	(10 225,987)	(25 883,085)
Interest income other	-	(1,763 128)	-	-
Operating surplus before working capital charges	<u>3,349,505</u>	<u>(12,163,152)</u>	<u>4,313,354</u>	<u>(10,250,042)</u>
(Increase)/decrease in Debtors	634,121	4,188,951	634,121	4,188,951
(Increase)/decrease in Investments in Trust	-	-	(603 103)	(3,305,830)
Increase/(decrease) in Unspent conditional grant and receipts	-	(3 305,830)	-	(3,305,830)
(Increase)/decrease on VAT recoverable	(5 022 771)	2,136,607	(5,002,777)	2,136,607
Increases/(decrease) in Creditors	(15,240,282)	33 639,068	(15,487,452)	33,328,927
Cash generated by operations	<u>(16,252,440)</u>	<u>24 056,000</u>	<u>(16,439,073)</u>	<u>24,056,000</u>

**21 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balance - ABSA	52 893,567	149 284 230	52 938,597	149 284 230
Bank balance - Nedbank	220 247	204 673	220 247	204 673
Petty cash	6 100	6 100	5 100	6 100
Trust	1,010,359	29,462	-	-
Partnership	962,305	1,837,422	-	-
Investments	-	20 000 000	-	20 000 000
Total	<u>55 137,618</u>	<u>171 352,646</u>	<u>53 164,944</u>	<u>169 495,023</u>

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NAAM/NAME

30/11/2010  
DATUM/DATE

**GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**Group Municipality**

2010 R	2009 R	2010 R	2009 R
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**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL**

**22 FINANCE MANAGEMENT ACT**

**22.1 Contributions to organized local government**

Opening balance	336,199	213,459	336,199	213,459
Council subscriptions	<u>336,199</u>	<u>213,459</u>	<u>336,199</u>	<u>213,459</u>
Amount paid - current year				

**Balance unpaid**

**22.2 Audit fees**

Opening balance	1,792,197	1,029,847	1,792,197	1,029,847
Current year audit fees	<u>1,792,197</u>	<u>1,029,847</u>	<u>1,792,197</u>	<u>1,029,847</u>
Amount paid - current year				

**Balance unpaid**

**22.3 VAT**

All VAT returns have been submitted by the due date throughout the year

The VAT receivables are shown in note 5.

**22.4 Payee and UIF**

Opening balance	7,457,921	5,478,101	7,457,921	5,478,101
Current year payroll deduction and Council Contributions	<u>7,457,921</u>	<u>5,478,101</u>	<u>7,457,921</u>	<u>5,478,101</u>
Amount paid - current year				

**22.5 Pension and Medical Aid Deductions**

Opening balance	10,357,297	7,801,037	10,357,297	7,801,037
Current year payroll deduction and Council Contributions	<u>10,357,297</u>	<u>7,801,037</u>	<u>10,357,297</u>	<u>7,801,037</u>
Amount paid - current year				
Amount paid - previous year				

**Balance unpaid**

**23 IRREGULAR EXPENDITURE - RECOUPMENT**

Balance unspent at the beginning of the year	995,057	940,057	995,057	940,057
Current year recovered	(62,000)	(65,000)	(62,000)	(65,000)
Expenditure incurred during the year				

933,057	995,057	933,057	995,057
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A factual findings report was undertaken by a reputed firm of Forensic Auditors and this document was tabled with GSDM's Insurance company as the potential loss shall be further reduced with an insurance compensation. Legal processes are currently in place to recover any outstanding loss from perpetrators who have been identified by the SAPS.

Incorrect payment - SARS

In addition during 2008/2009 an amount of R120,000.35 was inadvertently paid to an individual who misrepresented himself as a SARS employee. An amount of R62,000 was recovered during this financial year

**GE-OUDIT  
AUDITED**

**NAAM/NAME**

**30/11/2010**  
**DATE**

**GERT SIBANDE DISTRICT MUNICIPALITY AND IT'S MUNICIPAL ENTITIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	Group	Municipality	
		2010 R	2009 R

**24 PRIOR YEAR ADJUSTMENT**

Interest repaid incorrectly received during 2008/2009	(12,434)	-	(12,434)	-
Val levied but not received	793,412	-	793,412	-
Depreciation on capitalized leased Assets - Prior year	-	190,047	-	190,047
Provision for finance lease liability	-	(190,047)	-	(190,047)
Provisions Incorrectly provided	2,918,608	-	2,918,608	-
Land Donated by Msukaligwa	360,000	-	360,000	-
Sundry	(9,428)	-	-	-
	<u>771,550</u>	<u>3,278,608</u>	<u>780,978</u>	<u>3,278,608</u>

**25 CAPITAL AND OTHER COMMITMENTS**

Commitment in respect of capital and other expenditure				
- Approved and contracted for Capital Projects	163,785,066	230,044,846	147,591,209	230,044,846
Total	<u>163,785,066</u>	<u>230,044,846</u>	<u>147,591,209</u>	<u>230,044,846</u>
This expenditure will be financed from:				
- Own Resources	163,785,066	230,044,846	147,591,209	230,044,846
Total	<u>163,785,066</u>	<u>230,044,846</u>	<u>147,591,209</u>	<u>230,044,846</u>

**26 GENERAL EXPENDITURE - OTHER**

ADVERTISEMENTS	270,872	361,301	270,872	361,301
AUDIT FEES	2,406,586	2,275,319	2,406,586	2,276,319
BANK COSTS	83,707	75,375	83,707	75,375
RENTAL	344,892	261,834	344,892	261,834
TECHNICAL SUPPORT	269,457	420,380	269,457	420,380
ENTERTAINMENT	499,186	597,403	499,186	597,403
INSURANCE	719,518	517,089	719,518	517,089
EQUIPMENT AND FURNITURE	325,195	136,252	325,195	136,252
LEGAL COSTS	335,045	813,545	335,045	813,545
MEMBERSHIP AND SUBSCRIPTION FEES	365,949	258,133	365,949	258,133
MUNICIPAL AND OTHER SERVICES	2,064,594	747,082	2,064,594	747,082
PROGRAM ALTERATIONS	163,007	43,482	163,007	43,482
TRAVEL & SUBSISTENCE	1,555,490	1,472,982	1,555,490	1,472,982
SECURITY	234,015	217,830	234,015	217,830
SERVICE TRAINING	614,939	915,481	614,939	915,481
STATIONERY AND PUBLICITY	481,097	462,876	481,097	462,876
TELEPHONE	1,551,803	1,526,786	1,551,803	1,526,786
<b>TOTAL</b>	<b>12,285,354</b>	<b>11,103,152</b>	<b>12,285,354</b>	<b>11,103,152</b>

**27 CONTINGENT LIABILITIES**

Disputed Contractor Claim	620,810	0	620,810	0
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Currently the Municipality is in the process of finalising a legal claim on behalf of a contractor.

**GE-OUDIT  
AUDITED**

NAAM/NAME

30/11/2010

DATE

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Group and Municipality

	COST	ACCUMULATED DEPRECIATION						CARRYING VALUE	BUDGET 2010		
		OPENING BALANCE	ADDITIONS	WORK IN PROGRESS	DISPOSALS	CLOSING BALANCE	DISPOSITIONS				
R	R	R	R	R	R	R	R	R	R		
<b>LAND AND BUILDINGS</b>											
Building	91,222.604	23,134.511	84,670.407	0	198,427.522	1726,276	452,559	4,191,227	164,236,205		
	91,222.604	23,134.511	84,670.407	0	198,427.522	1,726,276	452,559	0	4,191,227		
<b>OTHER ASSETS</b>											
Equipment	5,048,508	3,102,271	0	(14,800)	8,135,979	1,121,374	690,246	(5,397)	4,587,981		
Furniture	403,065	0	0	-	403,065	197,516	20,457	0	236,017		
Vehicles	43,545,371	0	0	-	43,545,371	6,202,971	3,498,593	0	9,701,404		
Capitalised Lease Assets	762,460	0	0	-	762,460	421,167	145,794	0	32,813,587		
	49,759,443	3,102,271	0	(14,800)	52,846,384	10,729,166	4,380,258	(6,992)	16,103,433		
									37,773,452		
<b>TOTAL</b>	<b>140,982,017</b>	<b>26,235,763</b>	<b>84,070,407</b>	<b>(14,800)</b>	<b>251,374,006</b>	<b>14,465,591</b>	<b>4,843,157</b>	<b>(5,992)</b>	<b>19,295,559</b>		
									<b>231,379,747</b>		

RECEIVED  
2010/07/20  
GROUP FINANCIALS

30/11/2010  
GROUP FINANCIALS

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Green and Municipality

			COST			ACCUMULATED DEPRECIATION			CARRYING VALUE		
OPENING BALANCE 1/7/2009	ADDITIONS	WORK IN PROGRESS	DISPOSALS TRANSFERS	CLOSING BALANCE 30/6/2010	OPERATING BALANCE 15/7/2010	ADDITIONS	DISPOSALS TRANSFERS	CLOSING BALANCE 30/6/2010	ADDITIONS	DISPOSALS TRANSFERS	CLOSING BALANCE 15/7/2010
R	R	R	R	R	R	R	R	R	R	R	R
84,440,248	25,982,072	\$4,070,407	0	105,462,420	225,870	1,265,217	0	5,521,687	130,261,323	0	130,261,323
16,291,439	244,591	0	7,500	16,326,930	7,531,314	851,375	-1,032	6,000,687	10,327,544	0	10,327,544
500,656	29,720	0	7,000	61,328	260,956	132,956	0	361,956	261,956	0	261,956
37,650,162	0	0	0	37,650,162	47,883,955	2,824,955	0	7,410,956	10,220,142	0	10,220,142
<b>140,982,017</b>	<b>26,236,783</b>	<b>84,070,407</b>	<b>-14,800</b>	<b>251,272,406</b>	<b>14,457,404</b>	<b>4,842,157</b>	<b>-5,992</b>	<b>12,234,668</b>	<b>231,973,747</b>	<b>0</b>	<b>231,973,747</b>
<b>TOTAL</b>											

30/6/2010

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX D

**SEGMENTAL STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

		2009		2010		2011	
		Actual Income	Actual Expenditure	Actual Income	Actual Expenditure	Actual Income	Actual Expenditure
		R	R	R	R	R	R
		6,347,128	172,425,875	166,378,747	142,325,658	-17,366,658	
		6,347,128	172,425,875	166,378,747	142,325,658	-17,366,658	
		228,070,320	84,795,267	163,221,049	214,302,274	184,003,515	
		3,684,517	25,085,276	21,410,821	50,751,372	11,931,210	
		224,121,301	20,445,017	203,582,253	219,463,945	5,516,031	
		174	2,036,877	2,036,703	2,036,137	1,504,523	
		205,840	13,583,910	13,583,070	13,583,070	1,504,523	
		1,232	1,736,542	1,740,514	1,736,542	1,504,523	
		1,266	1,722,343	1,721,127	1,722,343	1,504,523	
		0	190,835	0	190,835	0	
		0	120,835	0	120,835	0	
		0	0	0	0	0	
		0	0	0	0	0	
		234,367,444	237,415,951	264,302,288	265,748,472	8,145,817	

         	         	         	         	         
         	         	         	         	         
         	         	         	         	         
         	         	         	         	         
         	         	         	         	         
         	         	         	         	         
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GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX B

**SEGMENTAL STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

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30/11/2010

## APPENDIX E (1)

**Municipality**

**ACTUAL OPERATING REVENUE AND EXPENDITURE VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010**

	Actual 2010 R	Budget 2010 R	Variance 2010 R	Variance % of Budget	Explanation of variance greater than 10%
<b>REVENUE</b>					
Interest earned - external investments	10,237,317	8,635,054	1,602,263	19%	Due to projects late implementation, more funds were available for investment.
Interest earned - outstanding debtors	121,575	0	121,575	100%	Increase on outstanding monitions received.
Government grants and subsidies	251,769,413	251,514,440	155,013	0%	
Other income	2,262,591	955,535	1,307,056	137%	A donation was received from COGTA not budgeted for. A small amount was also received from a local business.
Gains on disposals of property, plant and equipment	752	0	752	100%	The income on the asset was not budgeted for.
<b>TOTAL REVENUE</b>	<b>264,392,248</b>	<b>261,204,939</b>	<b>3,187,289</b>	<b>1%</b>	Gains on disposals of PPE not budgeted for
<b>EXPENDITURE</b>					
Employee related cost	30,213,614	56,201,373	-0,587,759	-22%	Not all positions were filled in the organization, resulting in less expenditure than budgeted for.
Remuneration of Councillors	7,006,155	8,378,207	-573,052	-7%	
Depreciation	2,220,562	1,929,562	290,600	15%	Depreciation on GVA in current completed works not budgeted for.
Repairs and maintenance	1,018,324	1,075,934	-57,610	-5%	
Contracted services	838,267	656,943	-18,676	-2%	
Grants and subsidies paid	102,365,698	212,234,660	-19,346,562	-9%	
General expenses - other	12,285,354	14,245,955	-1,960,005	-14%	Less was spent on general expenditure than budgeted for.
Loss on disposals of property, plant and equipment	1,497	0	1,497	100%	Loss on disposals of PPE not budgeted for.
Finance Cost	0	0	0	100%	Finance Cost for partnerships not taken into consideration in the budget.
<b>TOTAL EXPENDITURE</b>	<b>265,748,471</b>	<b>289,003,028</b>	<b>-31,254,557</b>	<b>-12%</b>	
<b>SURPLUS FOR THE YEAR</b>	<b>8,643,817</b>	<b>-27,798,029</b>	<b>36,441,846</b>		

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX E (1)

ACTUAL OPERATING REVENUE AND EXPENDITURE VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010  
GROUP

	Actual 2010 R	Budget 2010 R	Variance 2010 R	Variance 2010 %	Explanation of Variances greater than 10%
<b>REVENUE</b>					
Interest earned - external investments	10,237,317	8,635,064	1,602,253	19%	Due to projects late implementation, more funds were available for investment.
Interest earned - outstanding debtors	121,815	0	121,815	100%	Interest on outstanding interest loan recovered
Government grants and subsidies	251,769,413	251,614,400	155,013	0%	
Other income	2,262,931	935,535	1,307,456	137%	A donation was received from COGTA not budgeted for, as well as retention written back.
Gains on disposals of property, plant and equipment	752	0	752	100%	Loss on disposal of PPE not budgeted for.
<b>TOTAL REVENUE</b>	<b>264,392,288</b>	<b>261,204,999</b>	<b>3,187,289</b>	<b>1%</b>	
<b>EXPENDITURE</b>					
Employee related cost	39,213,614	50,201,373	-10,987,759	-22%	Not all positions were filled on the orgaogram, resulting in less expenditure than budgeted for.
Remuneration of Councillors	7,805,155	8,378,207	-573,052	-7%	
Depreciation	2,220,553	1,929,952	290,661	15%	Depreciation on disaster centre completed was not budgeted for.
Repairs and maintenance	1,018,334	1,075,934	-57,600	-5%	
Contracted services	838,267	856,943	-18,676	-2%	
Grants and subsidies paid	211,900,544	212,314,660	-414,116	0%	
General expenses - other	12,285,354	14,245,959	-1,960,605	-14%	Less was spent on general expenditure than budgeted for.
Loss on disposals of property, plant and equipment	1,497	0	1,497	100%	Less on disposal of PPE not budgeted for.
Finance Cost	0	0	0	0%	Finance Cost for partnerships not taken into consideration during the budget.
<b>TOTAL EXPENDITURE</b>	<b>275,283,317</b>	<b>269,013,028</b>	<b>*13,719,711</b>	<b>-5%</b>	
<b>SURPLUS FOR THE YEAR</b>					
	<b>-10,891,029</b>	<b>-27,758,029</b>	<b>16,907,000</b>		

30/6/2010

N/A / N/A / N/A

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX E(2)

Group and Municipality  
ACTUAL CAPITAL EXPENDITURE VERSUS BUDGET FOR THE YEAR 30 JUNE 2010

		2010 ACTUAL			2010 WORK IN PROGRESS			2010 TOTAL ADDITIONS			2010 BUDGET			2010 VARIANCE			2010 VARIANCE			EXPLANATION OF SIGNIFICANT VARIANCES GREATER THAN 5% VERSUS BUDGET		
		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
<b>LAND AND BUILDINGS</b>																						
Buildings		23,134,511		84,070,407		107,204,916		103,734,168		(3,470,750)		-3%										
		23,134,511		84,070,407		107,204,918		103,734,168		-3,470,750												
<b>OTHER ASSETS</b>																						
Equipment		3,096,581		-		3,096,581		2,494,310		(602,271)		-24.1%										
Furniture		5,690		-		5,690		5,690		-		0%										
		3,102,271		-		3,102,271		2,500,000		(602,271)												
<b>TOTAL</b>		<b>26,236,783</b>		<b>84,070,407</b>		<b>110,307,189</b>		<b>108,234,168</b>		<b>(4,073,021)</b>												

N.B.A.N.A.S.E.

30/06/2010  
C.M.

GERT SIBANDE DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED

Name of Grant	Group and Municipality	Quarterly Receipts						Quantity Expenditure	Closing balance	Reason for discrepancy if any
		Sept	Oct	Nov	Dec	Jan	Feb			
Opening balance										
Equitable share		3,564,600	3,564,570	2,505,933	0	10,694,263	2,673,565	2,673,565	10,694,263	N/A
WIG Grant		206,073	0	0	0	206,073	0	0	0	206,073
MSIG Grant		0	1,360,000	0	0	0	1,360,000	334,467	0	N/A
FMG Grant		0	750,000	0	0	0	750,000	787,500	0	N/A
Revenue Replant		0	80,578,705	72,130,305	52,680,887	0	215,420,000	43,072,500	53,072,500	43,072,500
CSPWP		0	0	0	335,160	0	335,160	0	0	N/A
DWAF		0	0	0	3,705,000	3,200,000	0	0	0	N/A
<b>TOTAL</b>		<b>206,073</b>	<b>96,293,366</b>	<b>76,694,875</b>	<b>56,581,170</b>	<b>-3,706,000</b>	<b>231,975,496</b>	<b>\$7,068,035</b>	<b>\$6,733,566</b>	<b>\$6,306,106</b>
									<b>21,769,704</b>	<b>205,073</b>

1. Open Equity Grants	2. WIG grants	3. FMG grants	4. Revenue Replant	5. CSPWP	6. DWAF	7. Total
206,073	96,293,366	76,694,875	56,581,170	-3,706,000	231,975,496	\$7,068,035

forwards General

30/6/2010

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix C

Statement of comparative and actual information for the year ended 30 June 2010

	R	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
<b>Revenue By Source</b>										
Property rates	0	0	0	0	0	0	0	0	0.00%	0.00%
Service charges	0	0	0	0	0	0	0	0	0.00%	0.00%
Investment Revenue	8,154,510	6,703,514	0	6,655,024	16,352,122	16,352,122	0	0	100.00%	100.00%
Transfers recognised - operational	278,232,000	278,232,000	0	278,164,495	278,164,495	278,164,495	0	0	100.00%	100.00%
Other revenue	170,770	78,725	0	92,513	7,267,557	7,267,557	0	-1,357,557	79.63%	103.77%
Gains on disposal of PPE	0	0	0	0	0	0	0	0	0.00%	0.00%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>277,353,310</b>	<b>23,635,535</b>	<b>0</b>	<b>751,204,592</b>	<b>264,392,268</b>	<b>264,392,268</b>	<b>0</b>	<b>-3,872,200</b>	<b>456.85%</b>	<b>1501.35%</b>
<b>Expenditure By Type</b>										
Employee related costs	61,833,116	-70,671,352	-1,550,583	50,211,113	35,210,614	35,210,614	0	70,582,759	78.10%	72.33%
Remuneration of councillors	5,338,270	34,440	45,937	4,374,392	7,835,353	7,835,353	0	51,730,211	93.40%	93.00%
Depreciation & asset impairment	1,597,280	359,462	27,557	1,678,352	2,723,551	2,723,551	0	2,852,551	115.26%	108.07%
Finance charges	1,035,620	724,462	26,731	0	826,943	826,943	0	0	0.00%	0.00%
Contracted services	194,316,359	17,589,365	0	212,347,650	192,347,591	192,347,591	0	3,946,521	97.67%	77.31%
Transfers and grants	14,937,700	43,375	1,017,586	15,327,393	12,333,381	12,333,381	0	20,138,708	76.53%	68.72%
Other expenditure	0	0	0	0	0	0	0	0	0.00%	0.00%
<b>Less on disposal of PPE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Expenditure</b>	<b>282,213,975</b>	<b>6,729,031</b>	<b>0</b>	<b>286,003,028</b>	<b>255,746,471</b>	<b>255,746,471</b>	<b>0</b>	<b>33,254,551</b>	<b>56.52%</b>	<b>50.01%</b>
Surplus/(Deficit) for the year	-45,144,665	17,746,655	3	-27,758,025	6,653,817	6,653,817	0	-30,441,255	-104.31%	103.52%
<b>Capital Expenditure &amp; Funds Received</b>										
Capital Expenditure	0	0	0	0	0	0	0	0	0.00%	0.00%
Contributed assets	-45,267,931	-17,362,277	-0	-10,454,439	-10,454,439	-10,454,439	0	-10,454,439	100.00%	100.00%
Surplus/(Deficit) after capital transfers & contributions	-124,412,660	730,401	0	-134,232,197	-101,360,672	-101,360,672	0	-23,232,572	-23.99%	-123.62%
Surplus/(Deficit) for the year	-134,412,660	-86,401	0	-134,232,197	-101,360,672	-101,360,672	0	-32,231,575	-103.52%	-103.52%
<b>Cash flows</b>										
Net cash from (used) operating										
Net cash from (used) operating										
Net cash from (used) operating										
Cash/cash equivalents at the year end										

*Auditors General*

*30/11/2010*